



DIVISION OF INSPECTOR GENERAL
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Pinellas County, Florida



AUDIT OF THE PROPERTY APPRAISER'S INTERNAL CONTROLS OVER DAVID INFORMATION

DAVID
DRIVER AND VEHICLE
INFORMATION DATABASE



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October 21, 2020

Michael Twitty, Pinellas County Property Appraiser

We have conducted an audit of the Property Appraiser's Internal Controls Over DAVID Information, per management request.

Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff of the Pinellas County Property Appraiser's Office during the course of this review.

Respectfully Submitted,

Melissa Dondero
Inspector General/Chief Audit Executive

Approved:

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INTRODUCTION

Abbreviations

BCC	Board of County Commissioners
CEAA	Certificate of Excellence in Assessment Administration
County	Pinellas County
DAVID	Driver and Vehicle Information Database
DHSMV	Florida Department of Highway Safety and Motor Vehicles
DPPA	Driver's Privacy Protection Act
F.S.	Florida Statutes
FY	Fiscal Year
IAAO	International Association of Assessing Officers
MOU	Memorandum of Understanding
MSTU	Municipal Services Taxing Unit
PCPAO	Pinellas County Property Appraiser's Office
POC	Point of Contact

Executive Summary

At the request of Pinellas County Property Appraiser's Office (PCPAO) management, we conducted an audit of the PCPAO's Memorandum of Understanding (MOU) with the Florida Department of Highway Safety and Motor Vehicles (DHSMV) to access the Driver and Vehicle Information Database (DAVID) system. The objectives of our audit were to:

1. Ensure the PCPAO had adequate policies and procedures in place addressing DAVID data access, distribution, use, modification, and disclosure.
2. Ensure the PCPAO's access to the DAVID system was adequately managed.
3. Ensure the PCPAO used appropriate logging and monitoring tools to manage DAVID access and use.
4. Ensure DAVID information was obtained for legitimate business purposes.
5. Ensure the PCPAO had adequate physical security to protect confidential DAVID data from unauthorized access and use.

Overall, we found the PCPAO's controls over access to DAVID to be sufficient to protect the access, distribution, use, modification, and release of motor vehicle data. Our review revealed the PCPAO had formal policies and procedures regarding the use of the DAVID system and the data as well as data confidentiality. The policies and procedures regarding DAVID were adequate and addressed key requirements of the MOU either directly or by reference.

DAVID users were aware of DAVID security policies, the confidential nature of DAVID information, and understood the potential criminal sanctions for misuse of DAVID information. The DAVID application required users to acknowledge their understanding that all data in DAVID was sensitive and privileged information, as well as the possible sanctions for the unauthorized use of data, each time they logged in. Additionally, DAVID users were required to complete annual security awareness training.

The DAVID point of contact (POC) ensured the DAVID passwords were safeguarded from unauthorized access and distribution by using a controlled process for the granting of new DAVID user credentials in person. The PCPAO also secured its workspace physically by badge access.

We also determined the PCPAO employed adequate logging and monitoring tools to ensure DAVID was used appropriately and DAVID information was not stored or printed. The oversight of DAVID user access by the DAVID POC ensured the access was authorized and used strictly in the performance of users' job functions.

We noted one issue regarding the completion of documentation required by the MOU. We confirmed the PCPAO POC generated and reviewed quarterly user activity reports to ensure appropriate usage by all authorized users. However, we determined the PCPAO POC did not complete and retain the Quarterly Quality Control Review Reports as required by the MOU. Upon our identification of the MOU documentation requirement, the POC promptly completed the most recent quarterly report.

Background



Mike Twitty, MAI, CFA Pinellas County Property Appraiser

Property Appraiser Duties

The Pinellas County (County) Property Appraiser is responsible for placing a fair, equitable, and just value on all County property. The Pinellas County Property Appraiser's Office (PCPAO) is governed by Article VII, Section 4 of the Florida Constitution, Florida Statutes (F.S.), and the Rules and Regulations of the Florida Department of Revenue. Specific F.S. citations are located in Chapters 193 and 196. The Property Appraiser is an elected official who has autonomy to direct the PCPAO in compliance with the laws and guidelines set forth by the aforementioned entities.

The Property Appraiser has the legal responsibility to discover the market value set by activity in the real estate marketplace and to appraise property accordingly. The Property Appraiser's job is to serve the public by providing taxing authorities with accurate and uniform property valuations for tax purposes. The taxing authorities determine a tax rate according to how much money they need to fund their budgets.

The market value of property is a prediction of the most probable selling price, based on actual sales of like properties in similar neighborhoods. It is the duty of the Property Appraiser to gather and analyze the data of these sales. Through the study of this information, the PCPAO places a fair market value on every piece of property in the County. The PCPAO determines the value on over 435,913 Real Property Parcels and 58,953 Tangible Personal Property accounts.



To ensure equitable appraisals are achieved on all properties, the Property Appraiser employs a nationally accepted appraisal system based on sound principles. Skilled and professionally trained appraisers assist the Property Appraiser in interpreting the actions of the marketplace and in the valuation of property.



According to Florida law, property value is determined as of January 1 each year, and every property must be inspected at least once every five years. Staff appraisers note any changes in physical attributes (i.e. additions, condition, etc.).

Mobile homes may be considered as real property or tangible personal property. Real property is defined as the sum of tangible and intangible rights in land and improvements on the land. It refers to the rights, benefits, and interest inherent in ownership of real estate (real estate is the physical land and everything permanently attached to it). Tangible personal property, on the other hand, is any property that is not real property; it is all movable items not permanently affixed to or part of the real estate.

Owners of residential rental property are assessed for household goods by the Tangible Personal Property Division. These items include furniture and appliances.

In addition to interpreting values, the PCPAO administers homestead, tangible personal property, religious, charitable, education, veteran, widow, widower, and disability exemptions. New exemptions or changes in old exemptions should be filed as soon as possible, but no later than March 1.

Mapping is also an essential function performed by the PCPAO. An up-to-date set of maps is an integral part of the assessment process. New subdivisions, annexations, and changes in the size of parcels are all entered into the system.

Taxing Authorities

The setting of taxes is a local government function. Property tax is primarily for local government revenue. The property tax makes up approximately 24% of the average County budget.

Following are the percentages that property taxes compose of the four largest County municipalities' budgets in 2020:

- St Petersburg - 48.5%
- Clearwater - 42.0%
- Largo - 16.8%
- Pinellas Park - 32.3%

The PCPAO is independent of city or County governments and plays no part in their tax policies. The PCPAO is not involved with, and has no legal responsibility for, local government budgets, tax rates, or tax bills.

There are over 54 taxing authorities in the County which affect various tax districts. They include the County commission, municipalities, school board, transit, water management, and fire districts. These different entities all have public hearings on budget requests for the forthcoming year. Proposed millage rates necessary to fund the budget are set at one of the budget hearings. The revenues generated are applied toward schools, fire, and police protection, among other services.



Millage rates are expressed as dollars per \$1,000 of taxable value. They are the budgeted dollars of a taxing authority divided by the total taxable value of all property in that taxing district.

Homestead Exemption

A homestead exemption is a constitutional benefit of a \$50,000 exemption from the property's assessed value. It is granted to those applicants with legal or beneficial title in equity to real property as recorded in official records who are bona fide Florida residents living in a dwelling and making it their permanent home on January 1 of the taxable year. The first \$25,000 is entirely exempt. The second \$25,000 is to be applied to the value between \$50,000 and \$75,000, and



does not include school taxes. For example, if a home's assessed value is \$75,000 or more, the owner would receive the full \$50,000 exemption benefit. If the property value is between \$50,000 and \$75,000, he or she would receive a pro-rated exemption amount. For instance, if the property value is \$65,000, the additional exemption would be \$15,000, for a total exemption amount of \$40,000 (the original \$25,000 plus the prorated amount of \$15,000). The exemption results in approximately a \$500-\$800 annual property tax savings to Florida residents.

When someone purchases a home and wishes to qualify for an exemption, he or she may file online or in person at one of the PCPAO locations. The applicant may file anytime during the year but before the state's deadline of March 1 for the tax year in which he or she wishes to qualify. However, applicants are urged to file as soon as possible once they own, occupy, and make that home their legal residence.

If the applicant purchased property after January 1, and the Notice of Proposed Property Tax, also known as Truth in Millage, reflects a homestead exemption, this is an exemption granted to the prior owner and will be removed on December 31. If the applicant wishes to qualify for an

exemption for the following year, he or she must file an original application in one of the PCPAO locations or online by March 1.

If a homeowner received a homestead exemption for the previous year and still occupies, owns, and makes that residence a permanent home, a receipt will be mailed early in January. The homeowner needs to notify the PCPAO if he or she no longer qualifies for these exemptions or seeks additional exemptions.

According to F.S. 196.011(9)(a) a person no longer qualifies for an exemption if one or more of the following situations exist:

- The property granted an exemption is sold or otherwise disposed of
- The ownership changes in any manner
- The applicant for homestead exemption ceases to use the property as his or her homestead
- The status of the owner changes so as to change the exempt status of the property

An applicant must bring the following evidence of residency and qualifications for all owners, including spouses, when filing:

- Florida automobile registration and driver license
- If registered to vote, a County voter identification card
- A numbered permanent resident card or other evidence of permanent resident status
- Proper certification for a disability exemption
- A death certificate or obituary notice for widow's/widower's exemption
- Social Security numbers for all owners and spouses (required even if spouses are separated or if only one is on the deed)
- If the applicant has another residency-based property tax exemption in Florida or another state, the application for exemption will be denied

Disclosure of the Social Security number is mandatory. It is required by F.S. 196.011(1). The PCPAO uses the Social Security number to verify taxpayer information and homestead exemption information submitted.

Memorandum of Understanding



**MEMORANDUM OF UNDERSTANDING
FOR GOVERNMENTAL ENTITY ACCESS TO
DRIVER AND VEHICLE INFORMATION DATABASE SYSTEM (DAVID)
Contract Number HSMV-_____**

This Memorandum of Understanding (MOU) is made and entered into by and between
Pinellas County Property Appraiser, hereinafter referred
to as the Requesting Party, and the Florida Department of Highway Safety and Motor Vehicles, hereinafter
referred to as the Providing Agency, collectively referred to as the Parties.

The PCPAO signed a Memorandum of Understanding (MOU) on July 31, 2017, with the Florida Department of Highway Safety and Motor Vehicles (DHSMV) that allows the PCPAO's employees to access the Driver and Vehicle Information Database (DAVID) system. The PCPAO uses DAVID primarily when performing investigations related to property tax matters, including homestead exemption fraud, or when residency information needs to be confirmed for a homestead exemption.

As part of the agreement with the DHSMV, the PCPAO must secure all data associated with the DAVID database. Section III. of the MOU states the following:

"Under this MOU, the Requesting Party [the PCPAO] will be provided, via remote electronic means, information pertaining to driver licenses and vehicles, including personal information authorized to be released pursuant to Section 119.0712(2), Florida Statutes and DPPA [the Driver's Privacy Protection Act]. By executing this MOU, the Requesting Party agrees to maintain the confidential and exempt status of any and all information provided by the Providing Agency [the DHSMV] pursuant to this agreement and to ensure that any person or entity accessing or utilizing said information shall do so in compliance with Section 119.0712(2), Florida Statutes and DPPA."

Section VI. B. of the MOU states the following pertaining to the required internal control attestation:

"Internal Control Attestation - *This MOU is contingent upon the Requesting Party having appropriate internal controls in place at all times that data is being provided/received pursuant to this MOU to ensure that the data is protected from unauthorized access, distribution, use, modification, or disclosure. The Requesting Party must submit an Attestation Statement from their Agency's Internal Auditor, Inspector General, Risk Management IT Security Professional, or a currently licensed Certified Public Accountant, on or before the third and sixth anniversary of the agreement or within 180 days from receipt of an Attestation review request from the Providing Agency. The Attestation Statement shall indicate that the internal controls over personal data have been evaluated and are adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure. The Attestation Statement shall also certify that any and all*

deficiencies/issues found during the review have been corrected and measures enacted to prevent recurrence."

Section VII. of the MOU states the following regarding the term of the MOU:

"This MOU shall take effect upon the date of last signature by the Parties and shall remain in effect for six (6) years from this date unless sooner terminated or cancelled in accordance with Section IX, Termination."

Specific to MOU dates, the PCPAO signed the DAVID MOU on July 31, 2017. However, the official active date at the DHSMV was October 17, 2017, since the third-year anniversary audit was due October 17, 2020.

PCPAO Budget

The PCPAO submits its budget for approval to the Department of Revenue and derives income from commissions paid by the taxing authorities. The commissions are set in accordance with F.S. 192.091. The PCPAO budget serves as the basis for billing the taxing authorities for services rendered by the Property Appraiser. Each taxing authority is billed its proportional share of the PCPAO budget based on each authority's share of ad valorem taxes levied in the preceding year. All municipal and school district taxes are considered as taxes levied by the County for purposes of this calculation.

The fiscal year (FY) 2020 budget request of approximately \$11.7 million, identified in the first table in this section as a transfer to the PCPAO from the Board of County Commissioners (BCC) General Fund, reflects the estimated statutory commissions to be paid by the County's General Fund and Municipal Services Taxing Unit (MSTU) tax districts. The commissions for taxing authorities within the County (Emergency Medical Services, Fire Districts, and MSTUs) are separately identified as a transfer to the PCPAO within their respective budgets. Statutory commissions not expended by the PCPAO at the end of each FY are returned proportionally to the taxing authorities. The FY 2020 transfer from the BCC General Fund reflects an increase of \$378,570, or 3.4%, as compared with the FY 2019 revised budget.

Following is a summary of the PCPAO's County General Fund budget for FYs 2018 through 2020:

Department Budget Summary			
Expenditures By Program			
Program	FY 2018 Actual	FY 2019 Revised	FY 2020 Request
Property Appraiser	10,981,170	11,294,480	11,673,050
Total Expenditures	\$10,981,170	\$11,294,480	\$11,673,050
Expenditures By Fund			
Fund	FY 2018 Actual	FY 2019 Revised	FY 2020 Request
General Fund	10,981,170	11,294,480	11,673,050
Total Expenditures	\$10,981,170	\$11,294,480	\$11,673,050

As noted previously, the PCPAO receives commissions from the County's General Fund as well as commissions from other taxing authorities. The preceding table reflects only the estimated commissions from the General Fund and MSTU tax districts. Therefore, the preceding table does not identify commissions for other taxing authorities that support the PCPAO budget.

Recognition

The PCPAO earned the Certificate of Excellence in Assessment Administration (CEAA) from the International Association of Assessing Officers (IAAO) in 2011. The PCPAO recertified in 2017 and does so every five years. The IAAO's CEAA recognizes governmental units and individuals involved with assessment who follow best appraisal and assessment practices in their offices. Jurisdictions that earn this designation demonstrate a high level of proficiency in the assessment and appraisal disciplines to both their constituents and their peers.



SCOPE AND METHODOLOGY

We have conducted an audit of the internal controls used to protect personal data obtained through the DAVID application from unauthorized access, distribution, use, modification, and disclosure.

The scope of the audit was the MOU between the PCPAO and the DHSMV to access the DAVID application and the associated security and confidentiality requirements. The PCPAO signed the MOU on July 31, 2017, and the DHSMV fully executed the MOU on October 17, 2017.

The audit period was October 1, 2019, through August 31, 2020. However, we did not limit the review of transactions and processes by the audit period and scope.

During the audit, we performed the following:

1. Interviewed individuals responsible for administering DAVID to obtain a clear understanding of how DAVID is accessed and used.
2. Reviewed policies and procedures addressing DAVID access, distribution, use, modification, and disclosure.
3. Reviewed documents completed and submitted to the DHSMV, as required in the DAVID MOU, including the Quarterly Quality Control Review Report and the Annual Certification Statement.
4. Obtained an understanding of the available DAVID monitoring and reporting tools as well as the frequency of management's review.
5. Tested, on a sample basis, user DAVID access during the audit period to verify the following:
 - The inquiry date and time was within normal PCPAO business hours
 - The inquiry was related to a proper business function
 - Repeated searches were appropriate
 - The inquiry was not performed on relatives, celebrities, or political figures
 - Access to Emergency Contact Information was appropriate
6. Reviewed physical security controls in place to restrict access to employee workstations and confidential DAVID output.

OBJECTIVES AND OUTCOMES

The objectives of the audit were to:

1. Ensure adequate policies and procedures were in place addressing DAVID data access, distribution, use, modification, and disclosure.
2. Ensure access to the DAVID system was adequately managed.
3. Ensure appropriate logging and monitoring tools were used to manage DAVID access and use.
4. Ensure DAVID information was obtained for legitimate business purposes.
5. Ensure adequate physical security existed to protect confidential DAVID data from unauthorized access and use.

As a result of the audit, we determined:

1. The policies and procedures were adequate to address DAVID data access, distribution, use, modification, and disclosure. The PCPAO's internal policies and procedures referenced and adhered to all MOU requirements. Staff was required to acknowledge that all data in DAVID was sensitive and privileged information, as well as the possible sanctions for the unauthorized use of data, each time they logged in. Staff was also required to complete annual security awareness training.
2. The access to DAVID was adequately managed. The PCPAO DAVID point of contact (POC) had a controlled process for issuing new user credentials and for removing unnecessary access. The PCPAO POC generated and reviewed quarterly user activity reports to ensure appropriate usage by all authorized users. However, we determined the POC did not complete the Quarterly Quality Control Review Reports as required by the MOU.
3. Appropriate logging and monitoring tools were used to manage DAVID access and use. The POC used the available reporting tools in DAVID and ensured staff recorded justification for queries.
4. The DAVID queries for the audit period listed above were directly related to an open investigation or other business related purpose. PCPAO staff recorded justification for the queries in its internal application notes or in separately maintained logs.
5. There were adequate physical security controls in place to protect confidential DAVID data from unauthorized access and use. The PCPAO office occupies a secure space, and staff does not print DAVID information.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunity for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. The PCPAO Did Not Complete The Quarterly Quality Control Review Reports As Required By The MOU.

Our review determined the PCPAO did not complete the Quarterly Quality Control Review Reports required by its MOU with the DHSMV. Prior to our audit, the PCPAO completed one initial Quarterly Quality Control Review Report at the time of signing the MOU on July 31, 2017, but none thereafter.

DAVID allows the PCPAO POC to run audit reports generating user activity over a period of time. The PCPAO POC performs quarterly audits by generating and reviewing the user activity reports and stores the reports electronically. The POC cross-references the activity report for each DAVID user with notes by the employee in the internal PCPAO systems validating the reason for each DAVID search.

The Quarterly Quality Control Review Report provides instructions on performance of the quarterly user activity reviews and other user administration tasks. The form also contains fields to capture the results of the quarterly user activity reviews and must be signed by the POC upon completion. Despite the POC performing quarterly DAVID user audits, the POC has not formalized them on the Quarterly Quality Control Review Report as required by the MOU. As of the date of testing, a total of 12 quarterly reports should have been completed since the signing of the MOU.

Upon our identification of the requirements and notification to the POC, he completed and provided the report for April 2020 through June 2020.

The MOU with the DHSMV provided the following requirement in Section VI. A.:

"Quarterly Quality Control Review Report - Must be completed, utilizing Attachment II, Quarterly Quality Control Review Report, within 10 days after the end of each quarter and maintained for two years."

Management stated it was unaware of the MOU requirement to complete the Quarterly Quality Control Review Reports beyond the initial report signed in conjunction with the MOU in 2017.

Failure to complete the Quarterly Quality Control Review Reports could lead to missed quarterly user audits which would have the following effects:

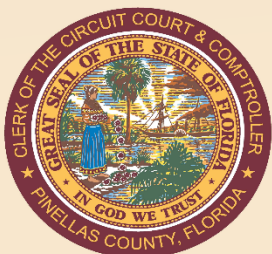
- Management cannot ensure DAVID queries conducted are strictly used for the purposes specifically authorized by the MOU
- The County is exposed to potential liabilities due to unauthorized access to DAVID data
- Management is non-compliant with the signed MOU and could lose the privilege of DAVID access

We Recommend Management:

- A. Immediately complete the Quarterly Quality Control Review Report covering the period of April 1, 2020, through June 30, 2020.
- B. Ensure the POC completes a Quarterly Quality Control Review Report within 10 days after the completion of each quarter of current and future MOU terms and retains the reports for at least two years.

Management Response:

- A. **Management Concurs.** Upon the recommendation of the Inspector General, the Property Appraiser's Office's Point of Contact (POC) for DAVID immediately completed the April 1, 2020, through June 30, 2020, Quarterly Quality Control Review Report available from DAVID and provided an executed copy to the Inspector General for review.
- B. **Management Concurs.** The Property Appraiser POC will ensure completion of the Quarterly Quality Control Review Report within 10 days after the completion of each quarter. To ensure compliance, the POC's supervisor has been made aware of the requirement, and the POC has updated the recurring reminder to perform the quarterly audit with an attachment containing the required Quarterly Quality Control Review Report.



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